Written Statement By
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INTRODUCTION

Mr. Chairman and Members of the subcommittee, I am pleased to appear before you to discuss the Farm Service Agency's (FSA) implementation of the Conservation Title of the Farm Security and Rural Investment Act of 2002.

FSA offers a variety of conservation programs for our Nation's farmers and ranchers including, the Conservation Reserve Program (CRP), the Emergency Conservation Program (ECP), the Debt for Nature Program, and the Grassland Reserve Program (GRP), which is jointly administered with the Natural Resources Conservation Service (NRCS). FSA takes pride in the administration of these farmer-friendly and environmentally sound conservation programs and the strong partnership FSA has established with NRCS in the delivery of USDA's conservation programs.

CONSERVATION RESERVE PROGRAM

The Food Security Act of 1985 authorized the Conservation Reserve Program (CRP). The program initially focused on retiring the most highly erodible land through a voluntary competitive bid process. By 1990, over 33.9 million acres of highly erodible land had been enrolled with many of the acres planted to a monoculture of either grass or trees. From 1991 through 1995, an additional 2.5 million acres were enrolled into the program. The Federal Agriculture Improvement and Reform Act of 1996 capped the program acreage at 36.4 million acres. At that time, the Farm Service Agency (FSA) implemented a number of provisions to place more emphasis on conservation benefits derived from the CRP, rather than just focusing on erodibility. The agency instituted an objective science-based Environmental Benefits Index (EBI) that ranked offers nationwide based on the overall environmental benefits expected to accrue from the offered acres in CRP, as well as anticipated program costs.

FSA also began a continuous signup effort in 1996 to target enrollment of highly valued buffer practices such as filter strips, riparian buffers, grass waterways, windbreaks, and similar practices on working lands. These measures are often established along streams and rivers to keep sediment and farm chemicals out of surface water. These practices reduce gully erosion in fields, recharge groundwater areas for public water supplies, and enhance wildlife habitat on field borders and wetland

areas. Almost 2.7 million acres have been enrolled through continuous signup efforts.

Equally importantly, FSA began working with State and local Governments to target some of our Nation's most critical resource areas that are impacted by agricultural production through partnership agreements. This effort, called the Conservation Reserve Enhancement Program (CREP), provides for locally tailored conservation measures and incentives under the CRP program umbrella.

The Food Security and Rural Investment Act of 2002 (2002 Act) subsequently expanded the acreage for the CRP to 39.2 million acres and modified the criteria for eligible land and other provisions, and expanded the Farmable Wetland Pilot Program (FWP) from a six-State pilot initiative to a nationwide program.

CRP ACCOMPLISHMENTS

CRP is the Nation's largest conservation program on private lands. Farmers and ranchers throughout the Nation are meeting water quality, erosion control, wildlife, and wetland restoration objectives through voluntary means using CRP. Voluntary compliance helps farmers and ranchers achieve broad conservation goals without the onerous burdens and high costs of Federal or State regulatory approaches. Farmers and ranchers are our most important resource managers, and CRP is among their most essential conservation stewardship tools.

Better Water Quality

Through the CRP, farmers and ranchers, along with their Federal, State and local partners, have accomplished a significant enhancement of our natural resources. We estimate that soil erosion has decreased by over 442 million tons per year. Over 1.5 million acres of streamside buffers have been enrolled to intercept nitrogen, phosphorus, and sediment before they reach lakes, streams, and rivers. Our Nations' waters are much cleaner since CRP was established – we estimate that CRP has helped to reduce nitrogen loadings of 655 thousand tons per year and reduce phosphorus loadings of 103 thousand tons per year.

Wetlands Enhancement

Over 1.9 million acres of wetlands and adjacent tracts have been enrolled in the CRP, helping agriculture to help America move from losing 400,000 acres of wetlands on agricultural lands per year from 1954-1974 to an estimated annual net gain of about 26,000 wetland acres on agricultural lands from 1997-2002, according to the National Resources Inventory. This increase reflects the culmination of years of accomplishments in wetland conservation by landowners, conservation groups, state and federal agencies. Programs such as the CRP have helped dramatically slow wetland losses by increasing wetland protection and enhancement. Furthermore, the CRP is expected to restore or enhance hundreds of thousands of additional wetland acres in the next five years, helping meet the President's goal to create, improve, and protect at least three million wetland acres over that period.

Wildfowl Numbers

The CRP has contributed to the dramatic increase in migratory waterfowl numbers. A recent estimate by the United States Fish and Wildlife Service indicated that over 2.5 million additional ducks per year are attributable to CRP. CRP has also enhanced habitat for many wildlife species such as the doubling of ring-necked pheasant populations, the reappearance of long-absent prairie chickens in Texas, and increasing many grassland bird populations, including the sharp-throated grouse. CRP is also a key tool in the restoration of threatened and endangered species, such as salmon in the Pacific Northwest. The CRP greatly encourages diverse cover-stands of habitat that enhance wildlife and protects farmland for future generations.

Haying and Grazing

This is the second year for managed haying and grazing. CRP participants may hay or graze eligible CRP acreage that was not hayed or grazed under managed or emergency provisions last year. However, the managed haying and grazing may not occur during the primary nesting and broodrearing season which allows for the successful breeding, nesting, and rearing of wildlife on CRP acreage. Last year, FSA authorized its State committees to review the nesting season dates and adjust them if necessary as recommended by the State Technical Committee, of which U.S. Fish and Wildlife Service, State Fish and Wildlife Agencies, and other resource professionals are members. These adjustments were authorized to ensure that each nesting season adequately met the wildlife needs within each State.

Protecting Water Supplies

The CRP is also a key tool in protecting water supplies. Buffers adjacent to streams and rivers reduce the potential of nutrients, pesticides, and pathogens to contaminate waterbodies. This reduces water treatment costs and the need for costly filtration systems. The CRP is used to protect public wells from impacts associated with the leaching of nutrients.

Air Quality

In addition to protecting our water, CRP protects the air we breathe. The CRP significantly reduces wind blown dust, especially in much of the western United States, and is helping all States comply with air quality standards.

CREP

Currently, we have 29 CREP partnership agreements involving potentially 1.7 million acres in 25 States. The significance of these agreements is enormous. For example, they play a role in protecting the water supplies of New York City; Columbus, Ohio; and Raleigh, North Carolina; as well as 56 small rural communities in Missouri and others throughout the country. CREP agreements are also vital in protecting the Chesapeake Bay, improving water quality of the Great Lakes and, as mentioned before, in restoring Salmon in the Pacific Northwest. Over $1 billion of State and private contributions may eventually be leveraged through the CREP to protect our Nation's most critical resources. Each CREP project is developed at the grass roots level with strong support from the State and local communities.

Flood Plains

During this past year, FSA has placed a greater emphasis on protecting our Nation's flood plains. Flood plain restoration plays a critical role in protecting water quality, serving as critical wildlife habitat and reducing the impacts associated with flood events. FSA provided for continuous signup practices for the restoration of both bottomland hardwoods and wetlands.

The wetland restoration practice (CP23) under the CRP is limited to 500,000 acres nationwide and eligibility is limited to the 100-year floodplain. The Farmable Wetlands Program (FWP) allows enrollment of certain wetlands that are less than 10 acres in size, not to exceed 40 acres per tract. CP23 protects wetlands in the floodplain, and the FWP protects the small isolated prairie pothole wetlands.

Cost-Effective Program Administration

These significant public benefits from the CRP are also achieved in a very cost-effective manner. FSA has implemented a number of administrative measures to improve program delivery while reducing administrative delivery costs. For example, during the most recent CRP general signup, FSA developed a new software tool, in collaboration with NRCS, to automate evaluations using the EBI and to provide Geographic Information Systems (GIS) support in many counties. Over the last year, this GIS tool greatly reduced the time required for farmers to submit offers, saved farmers $160,000 in participation expenses, and helped FSA reduce administrative costs for the CRP by over $7 million.

CRP SIGNUP

FSA continuously evaluates and assesses conditions regarding CRP general signups. In total, there are more than 34.7 million acres enrolled in the CRP, with Continuous Signup-CRP, the CREP, and the FWP available year-round. The current very tight supply/demand situation for major crops has resulted in record low pipeline stocks, both in the U.S. and globally. As a result, an expansion in acres planted for corn, soybeans, cotton, and other commodities is expected in response to the existing market conditions. The Department had earlier indicated its intention to conduct another general signup in early 2004. The Department now plans to issue the details of the next general sign-up later in the summer when agricultural market conditions and demands for resource use becomes clearer with harvest of this year's crops. This delay will allow the department time to more fully evaluate the supply/demand situation with respect to CRP and the market's demand for additional crop acres.

FSA also continues to work to further quantify the significant conservation outcomes that are attributable to the CRP using scientifically sound methodologies. For example, FSA has a number of research efforts with Universities to determine the outcomes attributable to the CRP. By next year, we will be in a better position to document how CRP prevents sediment, nitrogen, and phosphorus from entering our Nation's waters through several technical scientific assessments. In fact, FSA is sponsoring a national conference on the future of the CRP in June 2004 to exchange ideas, discuss issues, and help define the future of the program.

Attached to my statement, as Exhibit 1, is a summary of CRP statistical data.

EMERGENCY CONSERVATION PROGRAM

The Agricultural Credit Act of 1978, as amended, authorized the Emergency Conservation Program (ECP), with funding for the program through the appropriation process. The ECP provides emergency cost-share funding to agricultural producers to rehabilitate farmland damaged by natural disasters and for carrying out emergency water conservation measures during periods of severe drought.

To be eligible for the ECP, the natural disaster must create new conservation problems which, if not treated, would: (1) impair or endanger the land; (2) materially affect the productive capacity of the land; (3) represent unusual damage which, except for wind erosion, is not the type likely to recur frequently in the same area; and (4) be so costly to repair that Federal assistance is or will be required to return the land to productive agricultural use. Producers with conservation problems existing prior to the disaster involved are not eligible for cost-share assistance.

Emergency practices to rehabilitate damaged farmland may include removing debris, providing emergency water for livestock, fence restoration, grading and shaping of farmland, restoring conservation structures, and emergency water conservation measures. A FSA County Committee may also authorize other emergency conservation measures with approval by the State Committee and FSA's Deputy Administrator for Farm Programs.

Local committees, on an individual basis, taking into account the type and extent of damage, determine eligibility for ECP assistance. The ECP makes cost-share assistance available at levels of up-to 75 percent with a maximum benefit limitation of $200,000 per person per disaster.

The ECP has not been funded since fiscal year (FY) 2001 and we are currently out of funds. However, Congress recently provided $12 million for the implementation of ECP specifically targeted to southern California.

GRASSLAND RESERVE PROGRAM

The Grassland Reserve Program (GRP) is a voluntary program that helps landowners and operators restore and protect grassland, including rangeland and pastureland, and certain other lands, while maintaining the areas as grazing lands. The program emphasizes grazing operations, plant and animal biodiversity, and grassland under the greatest threat of conversion. The program was authorized by the 2002 Act and is administered in cooperation with NRCS and the Forest Service.

Applications may be filed for either a rental agreement with 10, 15, 20, or 30-year terms or easements with either FSA or NRCS at any time. Participants must limit future use of the land while

retaining the right to conduct common grazing practices. The program was initiated in FY 2003 through a Notice of Funding Authority (NOFA). Over 688 rental agreements have been signed to protect over 162,000 acres. In addition, 106 easements have been signed which provide long-term protection to over 78,000 acres. There is strong demand for this program, as evidenced by the 13,321 applications on over 7.9 million acres of land offered for rental agreements and 1.0 million acres offered for easements during 2003. In FY 2003, applications for 240,965 acres were accepted totaling $51.3 million.

The GRP interim final rule was published in the Federal Register on May 21, 2004, and provides for a 60-day public comment period. USDA will consider all comments received during the public comment period in developing a final GRP rule.

DEBT FOR NATURE PROGRAM

The Debt for Nature Program, also known as the Debt Cancellation Conservation Contract Program, is available for persons who have FSA farm loans secured by real estate property, who can cancel a portion of their FSA indebtedness in exchange for a conservation contract. The exchange ultimately restricts the type and amount of development that may take place on the property. Contracts may be established on marginal cropland and other environmentally sensitive lands for conservation, recreation, and wildlife purposes.

By participating in this program, borrowers reduce their FSA loan debt, thereby improving their overall financial stability. Also, borrowers can conserve wildlife habitat and improve the environmental and scenic value of their farms. As of March 31, 2004, FSA had closed 502 conservation contracts, bringing the total land enrolled in the program to 101 thousand acres since inception of the program in 1985.

MODERNIZING GENERAL SIGN-UP BUSINESS PROCESSES & SYSTEMS

Before the 26th general CRP signup was held in the spring of 2003, the CRP signup, evaluation, and acceptance process was a labor-intensive operation for both FSA and NRCS. As part of the President's Management Agenda and the e-Gov initiative, FSA took a major step forward in modernizing its business processes and the use of technology in delivering CRP. As of result of a major business process modernization effort, we were able to automate nearly the entire CRP general signup process, integrating FSA's EBI and GIS databases, as well as NRCS's soils database. This automation initiative, as I mentioned earlier, reduced administrative costs for CRP by approximately $7 million dollars; and the data entry error rate decreased by 90%. These improvements equate into more timely decision making for farmers, ranchers, and others making business decisions about their operations.

This effort is a major part of FSA's overall enterprise architecture modernization effort that spans across all field delivery business processes. Under the President's Management Agenda, we are streamlining our business operations and modernizing our IT delivery system. This new delivery channel, will ultimately provide on-line user-friendly services, allowing farmers, ranchers, and business partners to conduct business with us either at our Service Centers or on-line from the convenience of their home or place of business.

CONCLUSION

In summary, FSA remains committed to achieving conservation benefits through voluntary partnerships with individuals, environmental groups, and government entities. Our programs have assisted farmers in accomplishing significant improvements in environmental quality. Building on these successes, we will continue to work with farmers and ranchers to preserve our Nations' natural resources.

I appreciate the opportunity to testify today. I am happy to respond to your questions.